



U.S. Department of Justice

**Stephen J. Murphy
United States Attorney
Eastern District of Michigan**

*Suite 2001
211 West Fort Street
Detroit, Michigan 48226-3277
Fax: (313) 226-3561*

For Immediate Release:

Contact: Susan Plochinski (313) 226-9193

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EVENT: Sentencing

Defendant: John P. O'Leary et al

FORMER OFFICER OF MCA FINANCIAL CORPORATION SENTENCED

John P. O'Leary, 52 years old, of Davisburg, Michigan, the former Senior Vice President for Corporate Finance of MCA Financial Corporation, was sentenced today to 6 months at a halfway house and 6 months of home detention based on a conviction for misprision of felony, announced Stephen J. Murphy, United States Attorney for the Eastern District of Michigan,

U.S. District Judge Nancy Edmunds also ordered O'Leary to pay \$11 million in restitution to investors who purchased MCA's securities before MCA closed its doors in January 1999 and imposed a three-year term of probation, the first year of which will be spent, as described above, at a halfway house and in home detention. O'Leary has also agreed to pay an administrative fine of \$20,000 to the U.S. Department of Housing and Urban Development.

"With this sentence we mark the successful conclusion of a complex corporate fraud

prosecution that involved hundreds of millions of dollars in losses and resulted in seven convictions of top corporate officers and managers of MCA. Corporate fraud remains a top Justice Department priority, and this case was an excellent use of federal resources,” said U.S. Attorney Murphy.

Joined in the announcement were Special Agent in Charge Daniel D. Roberts, of the Detroit Division of the Federal Bureau of Investigation, and Barry McLaughlin, Special Agent in Charge of the Midwest Region of the Office of Inspector General of the U.S. Department of Housing and Urban Development.

MCA, operating through two wholly-owned subsidiaries based in Southfield - MCA Mortgage Corporation and Mortgage Corporation of America - was a privately held mortgage company that made conventional and sub-prime loans to individual home buyers in Michigan and several other states. MCA was also a mortgage and land contract broker and servicer. In January 1999, MCA collapsed and was placed in a conservatorship by the Michigan Financial Institutions Bureau, which filed a petition for bankruptcy on behalf of MCA the following month. What remained of MCA has been liquidated and the proceeds distributed to creditors under the supervision of MCA’s bankruptcy trustee.

MCA raised capital in large part by selling debt and pass-through securities to the general public, and it also drew on major warehouse lines of credit provided by large financial institutions. O’Leary was one of the five members of MCA’s Financial Management Committee (FMC). Through his guilty plea before Judge Edmunds in August 2005, O’Leary admitted that while he was on the FMC, he became aware that there were paper transactions involving low-income housing in the City of Detroit between MCA and numerous off-book partnerships

controlled by Patrick Quinlan and Lee Wells, MCA's CEO and President. O'Leary and the other members of the FMC knew that the related partnerships were not making the payments on the loans they received from MCA to purchase the properties from MCA. Nevertheless, these paper, essentially worthless loans were sold by MCA to its investment pools, used by MCA as collateral to secure its warehouse lines of credit, and recorded by MCA as assets and sources of revenues that were reflected on its financial statements.

O'Leary helped to conceal the scheme by instructing others to have MCA's computer system show that monthly mortgage and land contract payments were being made by the partnerships to MCA when, in fact, they were not. This effort kept MCA's external auditors, investors, and lenders in the dark about the true nature of these related-party transactions, and led them to believe that MCA's assets, revenues, and profits were much greater than they actually were.

Six other individuals have been convicted as a result of the federal investigation of MCA:

- PATRICK D. QUINLAN, of Grosse Pointe Farms, MCA's former Chairman and CEO, pleaded guilty in February 2004 to charges of conspiracy and making false and fraudulent statements in corporate financial reports filed with the SEC. He was sentenced in July 2005 by Judge Edmunds to 10 years' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. Quinlan is currently serving his sentence.
- LEE P. WELLS, of Grosse Pointe Shore, MCA's former President and Chief

Operating Officer, pleaded guilty in July 2002 to charges of conspiracy and mail fraud. He was sentenced on February 16, 2006, by U.S. District Judge John Feikens to 60 months' imprisonment and three years' supervised release and ordered to pay \$242 million in restitution. Wells will begin serving his sentence shortly.

- KEITH D. PIETILA, formerly of Ann Arbor, MCA's former Chief Financial Officer, pleaded guilty in January 2002 to charges of mail fraud and making false statements to the SEC. He was sentenced in May 2003 by Judge Feikens to 48 months' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. Pietila is currently serving his sentence.
- ALEXANDER J. AJEMIAN, of Highland Township, MCA's former Controller, pleaded guilty in August 2001 to charges of mail fraud and making false statements to the SEC. He was sentenced in June 2003 by Judge Feikens to 37 months' imprisonment and three years' supervised release and ordered to pay \$256 million in restitution. With time off for good behavior, Ajemian has completed serving his term of imprisonment.
- CHERYL SWAIN, of Beverly Hills, MCA's former Vice President for Marketing Syndication pleaded guilty in November 2001 for mail fraud arising from her participation in a scheme to defraud MCA's investors. She was sentenced on February 7, 2006, to 24 months' imprisonment based on a conviction of mail fraud. Swain was also ordered to pay \$65.7 million in restitution to investors who purchased MCA's securities before MCA closed its doors in January 1999. She

will begin serving her sentence shortly.

- KEVIN C. LASKY, of Birmingham, the former head of MCA's Special Loan Group, pleaded guilty in May 2002 to a charge of wire fraud. He was sentenced in December 2003 by Judge Feikens to 24 months' imprisonment and three years' supervised release and ordered to pay \$128 million in restitution. Lasky began serving his term of imprisonment in December 2005.

The federal investigation has been conducted by the FBI and the U.S. Department of HUD's Office of Inspector General, with assistance from the SEC's Division of Enforcement and the Office of Financial and Insurance Services of the Michigan Department of Labor and Economic Growth. The case was prosecuted by Assistant U.S. Attorneys Stephen Hiyama and Jennifer Gorland.